

Audit Preparation



Constitution of
The United States

A Regular Statement of Account of the Receipts and Expenditures of all public Money shall be published from time to time.

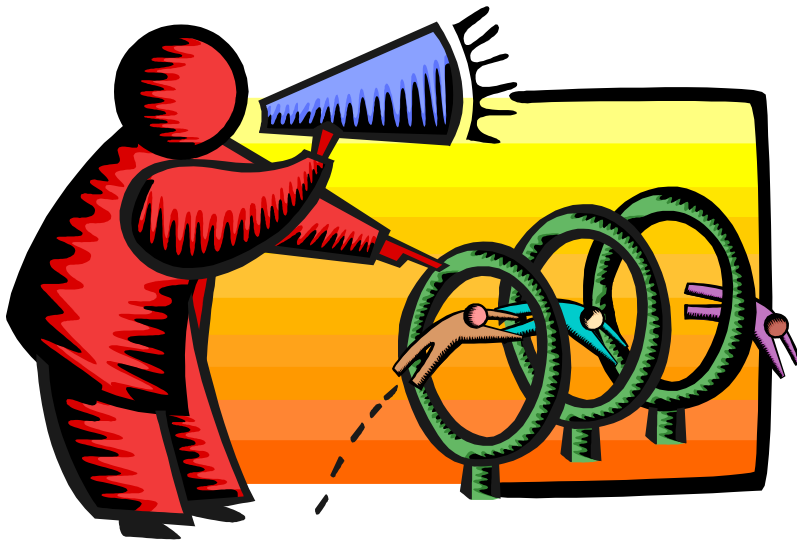
Article I, Section 9

Financial Statement Audits



- For many organizations the word “auditor” send a message of negativity and panic, however, the audit process can be virtually painless if you are ready and your staff is educated on the audit process.

Role of the Agency



- Financial management occurs **throughout the year**, not just at year end.
- Communicate to everyone.
- Get buy-in from stakeholders.

Role of the Agency (cont'd)



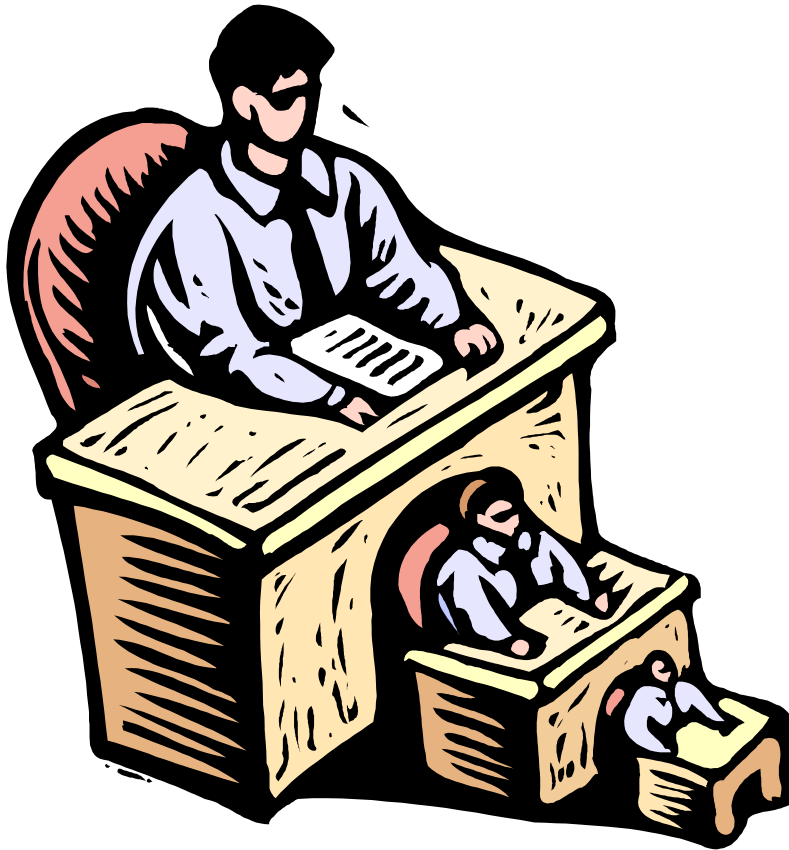
- Management is responsible for preparing the reporting package provided by the agency, to include the management discussion analysis, their financial statements, and footnotes.

Know Thy Self -Be Familiar With Your Own Financial Data



- Analyze accounts.
- Know your control environment.
- Document the processes.
- Identify controls and systems.
- Prepare an auditable universe.
- Ensure that sufficient knowledgeable staff is available.

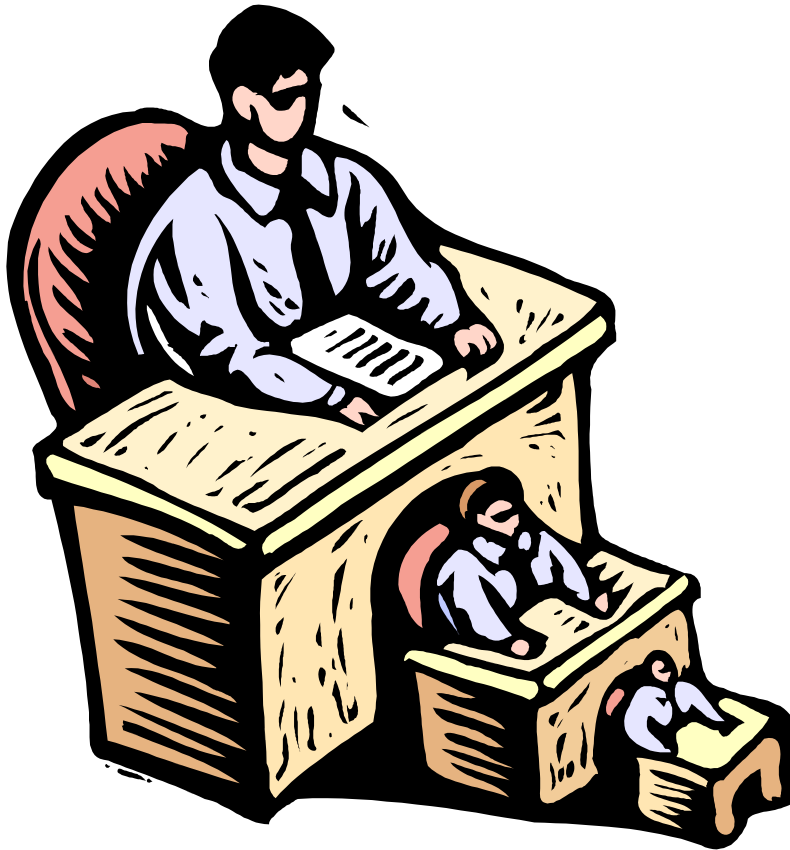
The Beginning – The Account Analysis



- Perform reconciliation
 - On Balance sheet and statement of Net Cost line items.
 - Compare current quarter to prior quarter and current year to prior year.

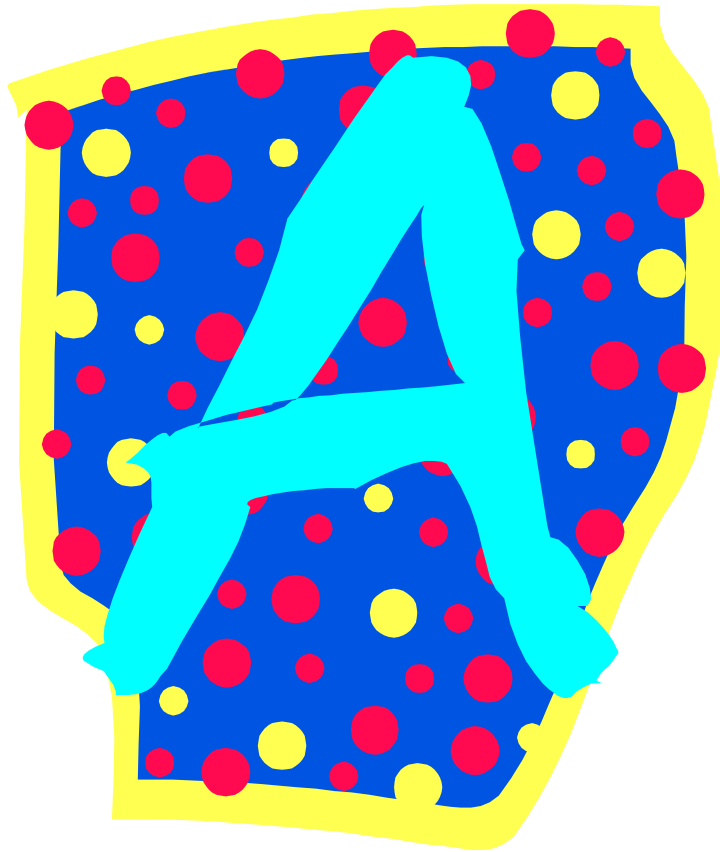
Account Analysis (con't)

Avoid Surprises



- Process:
 - Calculate absolute variance of line items.
 - Analyze accounts appearing on the line through general ledger (G/L).
 - Understand variances. The inability to explain variances may lead auditors to think about control weakness, fraud and inherent risks.

Account Analysis (con't)



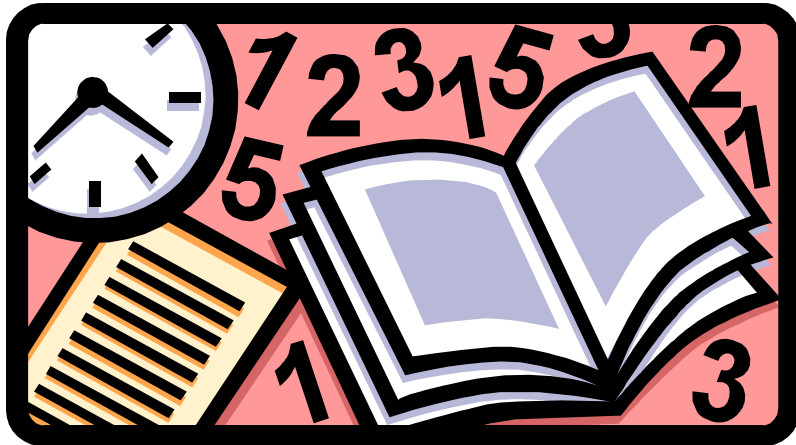
- Benefits:
 - Explains large variances in activity.
 - Identifies accounting or reporting inconsistencies between periods.
 - Provides financial information to management and auditors in a meaningful, non-technical manner.

Know Your Control Environment



- Integrity and ethical values.
- Commitment to competencies.
- Philosophy and operating style.
- Organization structure.
- Assignment of authority and responsibilities.
- Human resources policies and procedures.
- Control over budget process.
- Control over compliance with laws and regulations.

Document the Processes



- Starts in validation phase
 - Benefits include:
 - Useful data
 - Reliable data
 - Understandable data
 - Consistent data
 - Relevant data
 - Timely data

Identify Controls and Systems



- Financial Statement
 - Financial reporting controls.
 - Compliance controls.
 - Certain operations controls.
- Information system
 - General controls.
 - Application controls.
 - User controls.

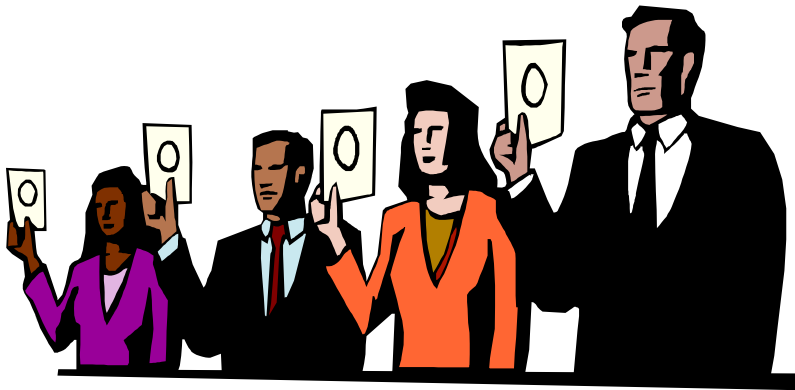
Prepare an Auditable Universe



- Must have transactions and supporting documentation. This may include:
 - Monthly financial statements.
 - Trial balances.
 - Ledgers and journals vouchers.
 - Correspondence.
 - Contracts, invoices.

Ensure that Sufficient Knowledgeable Staff is Available

- The staff assigned to the financial statements should collectively possess adequate knowledge of organization, functions, systems and mission.



Role of the Auditor



- Examine on a test basis, evidence supporting the amounts and disclosures in the financial statements.

Role of the Auditor (cont'd)



- Obtains an understanding of the agency's internal controls.
- Applies audit procedures.
- Expresses an opinion.

Role of the Auditor (cont'd)



- Provides a listing (PBC) of items that will be required for the audit in advance of start of field.
- Conducts audit in a professional and effective manner.
- Communicates progress and issues encountered promptly.

Best Practices



- Plan meetings.
- Implement schedules.
- Discuss new standards and policy.

Best Practices (cont'd)



- Hold regular progress meetings.
- Discuss findings and audit adjustments.
- Review interim financial statements.

Best Practices (cont'd)



- Prepare final financial statements, accountability reports, transmittal letters, legal representation letters, and management representation letters.
- Review lessons learned.